Policy Sci (2012) 45:345–358
DOI 10.1007/s11077-012-9149-7

What about non-diffusion? The effect of competitiveness in policy-comparative diffusion research

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Published online: 30 March 2012

Abstract Many scholars have convincingly shown that policies diffuse between national and sub-national entities for several different reasons. Although diffusion processes are empirically proven, we witness two shortcomings in the discussion: First, there is a lack of comparative research across policy areas. Second, the question of why diffusion might not occur in a certain domain is under-theorized and lacks an empirical test. By comparing the rationale behind diffusion processes in two policy domains—energy policy and locational policy—this paper shows that two aspects matter for diffusion processes: First is the observability of policy measures, that is, how easily things can be observed by others; second is the competitiveness of the policy domain. If policy measures can be hidden easily and the policy domain is highly competitive, policy diffusion is very unlikely to happen. Therefore, we seek the integration of these two aspects in prospective diffusion research.

Keywords Policy diffusion · Locational policy · Energy policy · Competition

Introduction

An increasing interest in policy diffusion has emerged over the last few decades. Whereas political science assumed independent policymaking processes of entities for a long time, research since the 1970s has proven that there are many interdependencies between political entities. Scholars have dug into these diffusion processes and were able to show that new policy instruments spread across political entities in several domains. However, empirical investigations of diffusion processes have relied mainly on quantitative measures and usually just on one policy field. Few studies have investigated diffusion processes in

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several policy domains (the rare exceptions include Nicholson-Crotty 2009; Makse and Volden 2011).

In looking at all the policy fields where diffusion was detected, one could get the impression that diffusion is an overreaching phenomenon in any policy field. In this paper, the question of whether there are policymaking processes where diffusion plays no crucial role is addressed. Although this question might seem odd in the current debate, we think that only a comparison of policy areas with and without diffusion makes a strong argument where one should expect diffusion to happen and what the possible obstacles to diffusion processes are. Therefore, we investigate non-diffusion and ask for mechanisms and determinants that hinder diffusion. Whereas the usual approach in the diffusion literature is to prove that diffusion actually takes place, we turn this question upside down and ask where diffusion is impossible or highly unlikely. It is often argued that one should look at non-diffusion (Marsh and Sharman 2009), but it is hardly done.

We challenge the theoretical assumption that competition fosters diffusion. We argue that this assumption has not yet been thoroughly investigated. Therefore, we seek the integration of two aspects that have not drawn enough attention in the debate so far. Practically, one needs to determine first whether knowledge and existing experiences in a certain policy domain are openly observable or not. Second, we argue that one needs to investigate the policy domain's importance for the competitiveness of the political entity. Therefore, one can expect that both aspects influence the probability of adoption based on diffusion. If policymakers can hide their policy measures, diffusion will become virtually impossible. We argue that policymakers hide their policy measures in competitiveness-oriented domains much more than in domains that are perceived as unimportant to the economic well-being of their entity.

Thus, the two aspects of observability and competitiveness are closely linked, as we will subsequently show on the basis of a systematic comparison of (non-)diffusion mechanisms in energy policy and locational policy.

Observability and competitiveness in diffusion: when and why?

Through the growing interdependence of territorial units, the implementation of new policies is often influenced by experiences in other territorial units. Rogers (2003; Makse and Volden 2011) defines diffusion as a process by which an innovation is communicated through certain channels over time among the members of a social system. Diffusion is a phenomenon that is observed mainly on the macro-level. The aim of early diffusion studies such as Walker (1969), Gray (1973), and Berry and Berry (1990) was to determine whether policies spread in an epidemiological sense and through which channels they do so. Most studies rely on a distinction between internal determinants and external factors, such as the number of neighbors that have introduced the policy of interest, to explain the diffusion of policies. Internal determinants include, among others, social, economic, or political characteristics that might be responsible for the introduction of an innovative policy in an entity.

Scholars of policy diffusion have further developed this relatively crude model of policy innovation over the last decade. A newer wave of research has tried to disentangle various mechanisms that foster the diffusion of ideas and policies, such as learning, competition, coercion, or socialization, which all drive the diffusion process (see, e.g., Dobbin et al. 2007; Meseguer 2006; Gilardi 2010; Shipan and Volden 2008). The mechanism of learning assumes that policymakers observe the impact of policies in other

entities and then decide whether or not to adopt the respective policies. This mechanism currently receives the most attention in the diffusion research (see, e.g., Gilardi 2010; Weyland 2006; Volden et al. 2008; Meseguer 2006). Scholars who see competition as a mechanism behind diffusion argue that governments have little choice but to choose certain policies to attract global investment if their competitors have done so (Dobbin et al. 2007). The mechanism of socialization involves copying the action of others to look like them (Shipan and Volden 2008). This is said to be mainly the case in international organizations. Diffusion due to coercion means that external actors put pressure on entities to adopt a policy.

New methodological techniques such as the dyadic approach (Volden 2006; Gilardi and Füglister 2008) or a procedure with the Geographic Information System (Boehmke and Witmer 2004) were used. Diffusion has been detected in a broad set of policies (for an overview see Karch 2007). However, methodologically, single-policy case studies are the predominant methodological approach when diffusion mechanisms and communication channels are analyzed.

The following sections discuss the possibilities and the added value of comparing policy fields and introduce the feature of observability to explain diffusion and non-diffusion.

Comparing diffusion over policy fields

We argue that a comparative analysis of different policies provides the opportunity to make more differentiated predictions regarding why some policies diffuse and others do not. Although early policy diffusion studies (Walker 1969; Gray 1973) integrated a large number of policies, they neither took the internal determinants into account (see above) nor were able to test for differences in the diffusion patterns of the policies. A handful of newer studies have included several different policies in their datasets (Allen et al. 2004; Shipan and Volden 2006; Grossback et al. 2004). However, these studies do not reveal any insight regarding the influence of policy-specific differences on the diffusion process.

Recent work has included policy-specific differences. Nicholson-Crotty (2009) shows, with an analysis of 57 policies, that high-salience, low-complexity polices are more likely to diffuse rapidly. He concludes that lawmakers are more likely to forgo policy learning in favor of short-term electoral gain. Based on Rogers' (2003) attribute typology from the literature on the diffusion of innovation, Makse and Volden (2011) evaluate the influence of policy characteristics on the likelihood of adoption. These characteristics are relative advantage, compatibility to previous ideas, complexity, observability, and the degree to which the innovation may be trialed and modified. An analysis of 27 major criminal justice policies in the USA revealed that learning from other states was enhanced for highly observable policies but was diminished when states could conduct internal trials rather than rely on external experiments.

Although it has been shown in various fields that the diffusion, transfer, and related concepts of interdependence matter, the idea of why political entities reject outside models and stick with local solutions has received very little attention. Rogers (2003) refers to this shortcoming in research as the pro-innovation bias. Incorporating negative cases could be particularly valuable in qualitative comparisons (Marsh and Sharman 2009).[1]

[1] Several studies also speak about non-diffusion or spurious diffusion, when innovations are introduced because of internal determinants (Braun and Gilardi 2006).

Diffusion in light of observability and competition

Observability is defined by Rogers (2003) as "the degree to which results of an innovation are visible to others." It is, therefore, a necessary condition for policy diffusion that governments can see how an innovation works in another entity and thereby learn. In public policy, it is seldom the case that a measure can be understood directly without insight information. An example of a directly observable measure is the added value tax rate since this is stated in public documents and printed on every receipt. Measures concerning the secret service are, in contrary, not observable at all for other entities. However, most of the studies that focus on diffusion mechanisms take the observability of the policy measures as a given. Without the awareness of what others are doing (and with what effects), learning or even emulation is not possible (Makse and Volden 2011). Makse and Volden show that learning was enhanced for highly observable policies. According to their study, diffusion is not impossible if the observability is low, but what is needed is a "policy entrepreneur" (Mintrom 1997) who transports both experience and information. The "exporting" entity can actively foster diffusion if it shares its knowledge with other entities. In addition, institutions, such as regular meetings and conferences, are often platforms for exchange. Thus, these forms of cooperation facilitate diffusion (Mintrom and Vergari 1998; Balla 2001) and shed light on policies with low observability. Thus, whether the policy measures will diffuse or not depends on the "exporting" entity in policy areas with a low observability of policy measures.

Whether such forms of cooperation come to bear and enable diffusion, however, depends also on the level of competition between the entities. Competition in a policy area can be defined as the degree to which policy decisions in this area influence the economic well-being of the entity (see Porter 1998). As mentioned previously, competition is generally seen as a mechanism that fosters the diffusion of policies (Shipan and Volden 2008; Berry and Baybeck 2005; Berry and Berry 1990). Competition is a driver of innovation, and innovation can be obtained by mimicking other entities' successful policies (see Dei Ottati 1994; Nzeakor 2009). Interstate competition is associated with economic or welfare policies where governments know who their competitors are and where they connect policy choices to competitive advantages. The competition argument is a mainstay in studies of globalization's effect on regulations. Boehmke and Witmer (2004) indicate that competition is a relevant mechanism in the adoption of Indian gaming policy. Similar results are presented by Berry and Berry (1990) for the case of state lotteries. Berry and Baybeck (2005) show that interstate competition can be found in the field of state lotteries but not in the field of welfare policies. In contrast, it is theoretically unsubstantiated that welfare policies diffuse because of a learning mechanism. The authors fail to explain theoretically why one policy diffuses for competitiveness reasons while the other does not. What is missing in this argument is the fact that actors might not be eager to share policy measures in highly competitive policy domains. The "advanced" entity would face a possible loss of advantage if their policy measures diffused to other units because it would lead to a leveling-out of the competitive advantage. Thus, and contrary to the literature, we would not expect cooperation in a competitive environment because we argue that cooperation is most difficult where competition is highest (Parkinson and Harding 1995). The consequence of competition for diffusion is thus not as clear as it looks on a first glance. Competition might foster diffusion, but it might also not. Some policies in competitive fields are clearly observable, such as a new tax rate or the introduction of a new lottery, while others, such as individual tax rate negotiations with enterprises, are less observable. Thus, we challenge the prevailing understanding in the policy diffusion

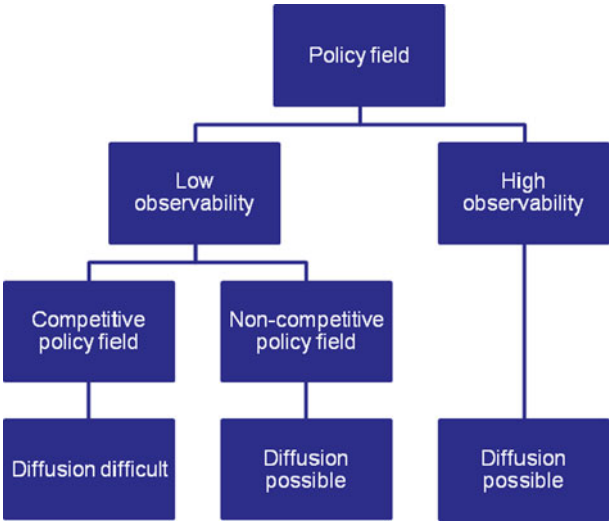

Fig. 1 A model of diffusion in comparative policy research

literature that competition fosters diffusion by arguing that competition hinders the diffusion of measures with a low observability.

Figure 1 summarizes our theoretical argument. We propose that policy diffusion depends on two aspects that are in a hierarchical order. First, one has to determine whether an innovation is easily observable or not. If the observability is high, then policy diffusion is easily possible regardless of the other aspects under consideration here. If, however, the observability is low, it depends on whether the policy field is competitive or not. If it is a non-competitive policy field, diffusion is again possible since institutions enable the exchange of knowledge. If policymakers operate in a competitive domain, diffusion is not likely. Thus, we argue that policy diffusion is difficult if the policy field under scrutiny is characterized by a low observability of policy measures and a high relevance for the competitiveness of the political entity.

Empirical insights from two policy fields

To test this theoretical model, we systematically compare insights from two policy domains: energy policy and locational policy. We look at the observability, that is, the degree of visibility of innovations in these domains, and at the competitiveness of the political entities in the policy field under scrutiny, that is, the degree to which policy decisions in the respective policy field influence the economic well-being of the entity. Therefore, we follow a tradition of qualitative diffusion studies to investigate the mechanisms of diffusion in depth (Weyland 2005).

The case study material includes both policy field documents and data from more than fifty in-depth interviews. The interviews were conducted between 2005 and 2010. The focus in the field of energy policy was set on Swiss cantons. They are mainly responsible for renewable energy sources and the rational use of energy in the building sector.[2] We

[2] Research was conducted in the Energy Policy Fundamentals Research Programme, funded by the Swiss Federal Office of Energy (SFOE, Project Number: 102670). For details, see Widmer and Strebel (2011).

chose six policy measures that can be introduced in the cantons independent from any other level of government (see Widmer and Strebel 2011). The focus in the analysis of locational policy was set on the international networking activities of European city-regions (see van der Heiden 2010). Energy policy and locational policy were chosen since institutions in both fields were created to foster the exchange of practices and experiences. Furthermore, both policy fields are very dynamic, which requires regular realignments and the introduction of new measures. It is crucial for the comparison that the entities under scrutiny enjoy a high degree of sovereignty in policy extent. They enact laws, set up policy programs, and are, therefore, not just implementation bodies. This is the case for Swiss cantons in energy policy and for European city-regions in locational policy. Although our analysis of two policy fields does not investigate processes on the same political scale (energy policy on the regional and locational policy on the local scale), we do not see any scale effects on diffusion processes that would disqualify such a comparison. We did not came across multi-level effects in our qualitative investigation of the two policy fields under scrutiny nor other third variables (e.g., the political orientation of the entities, the size of the entities, or the richness of the entities) that would make our argument about the observability's and the competitiveness' influence on diffusion processes invalid. We thus follow a qualitative approach to diffusion and thereby to proving causality (Maxwell 2004; Onwuegbuzie and Leech 2007) by a careful process tracing (George and Bennett 2005) both in energy and in locational policy.

We are interested whether measures have systematically diffused or not. On the basis of a document analysis, we investigated whether the measures were introduced in a certain entity or not. In-depth interviews helped to trace the process that led to an adoption, to clarify the observability of the measures and the degree of competition in the policy field. In-depth interviews also revealed the arguments behind the non-diffusion of certain measures. We thus used a variable-oriented approach (George and Bennett 2005). We additionally asked the interview partners to judge the competitiveness of their policy field and the observability of measures in their policy field to validate our results from the document analysis.

Energy policy

Except for hydropower, Switzerland is a country with very few energy resources. Until the early 1970s and the oil crisis, energy policy was not high on the political agenda. The task of the federal state in energy policy is restricted to research and to the security of the supply. Only in nuclear policy was the federal government in control from the very beginning (Sager 2007). The responsibilities for renewable sources and for the rational use of energy in the building sector were not clearly assigned to the state level until 1998. With the first federal energy law, the responsibility for renewable sources and the rational use of energy in the building sector were assigned to the cantonal (regional) level.

The nuclear disaster at Chernobyl as well as the Brundtland Report led to a more sensitive handling of environment and energy questions in many countries. With the rising prominence of the debate on peak oil, renewable resources and the rational use of energy in general moved up on the political agenda. The cantons introduced different regulatory measures and incentives in the building sector over the last 20 years to lower energy consumption and to replace the use of non-renewable energy sources. However, due to the Swiss system of federalism, there are 26 different cantonal energy laws within the country. This is not atypical for Swiss policymaking in general (Vatter 2007). This diversity results from the diverging values and interests of the actors involved in the cantons (Vatter 2007;

Faganini 1991). Challenges and possible solutions with specific characteristics are, therefore, assessed differently. The effects of various characteristics of energy policies are discussed by Strebel (2011).

The diversity of policies in the Swiss cantons created the need for horizontal coordination. A conference of energy directors (EnDK) was set up in 1980.[3] In addition, there is an inter-cantonal conference of experts and administrative officials (EnFK) that is highly technocratic in nature. They help to facilitate the exchange of experience, to divide and coordinate tasks, and to enable the administrative staff of the cantons responsible for a particular area to discuss current problems (Vatter 2007).

Observability

Several aspects of cantonal energy policy in the building sector, such as the insulation standard or the regulated use of renewable energy sources, are easily observable. They can be observed in the publicly accessible laws or decrees enacted in the cantons. Policies, however, usually need further concretion. In particular, the formation of the administrative staff as well as the training for the practitioners is central for the implementation of new norms in the domain of energy policy in the building sector.

The introduction of new measures in a canton is, in general, visible in its legislation. However, in most cases, the measures are not easily comprehensible. Detailed explanations often cannot be found before the measure is substantiated in the implementation rules or the handbooks for practitioners. Even if the introduction of a new measure can be traced in the legislation, the observability of a concrete idea is rather low, which, according to our theoretical model, is the first requirement for a possible non-diffusion of policy measures in one policy domain.

Competition

The cantonal energy agencies fulfill different tasks. The cantonal administration is, in some cantons, responsible for the implementation and control of the regulations, whereas municipalities are in charge of these tasks in other cantons. However, regulations concerning renewable sources and the rational use of energy in the building sector are determined consistently in all cantonal legislation. In most cantons, such regulations apply to new or renovated buildings. Regulatory differences lead to difficulties for planners working in more than one canton.

There is a rather broad agreement among cantonal politicians and among the administrative personnel that energy efficiency should be strengthened and that renewable energy should be further advanced. New regulations in this field are not driven by the aim to make the canton economically more attractive. There are no locational advantages for cantons due to their energy standards. In contrast, promotional programs lead to a building and renovation dynamic that can stimulate local industry. There are promotional programs that support renovations and new construction with higher standards than the legal minimum. Since the promotional programs are financially supported by the federal state, the cantons do not compete in this field. As a consequence, competition in the domain of energy policy is low, and there is no race to the bottom.

[3] The conference of directors is the most prominent form of such horizontal cooperation schemes between the cantons. Such conferences exist in 16 policy areas (Bochsler and Sciarini 2006). Their degree of institutionalization varies greatly (Bolleyer 2006).

A dense network of cooperation developed within this setting. The EnDK, as the political platform, promotes and coordinates the cooperation of the cantons in energy questions and represents the cantons' common interests toward the federal state. To make up for the lack of technical expertise, the EnDK is supported by the EnFK. The EnFK, which consists of energy experts, is the know-how pool of the cantons for energy questions. The energy experts elaborate and adjust norms. Such norms were released in the form of model regulations in the years 2000 and 2008 to harmonize cantonal energy legislation. The model regulations elaborated by the EnFK and enacted by the EnDK are the best example for an active exchange of experiences. Most of the measures proposed in the model regulations were already in use in at least one canton before the enactment. The experiences and evaluations were used and shared in the preparation process. These model regulations are not mandatory for the cantons but contain concrete measures and information for the implementation.

The officials of the cantonal energy services additionally meet in four regional conferences (Romandie, Central, Eastern, and Northwestern Switzerland). Other than in the EnDK, cooperation in the regions involves only the administrative personnel and not politicians. In general, the regional conferences are platforms for the exchange of information and policy measures. Some regional conferences see themselves more as a platform to prepare regionally and arrange for the EnDK. The formation of specialists and the use of standardized procedures are coordinated in all regions to a certain degree.

The two forms have a clear division of labor. While the focus on the regional level is set on practical matters, the conferences on the national level coordinate political matters, policy harmonization, and the position toward the federal state. In addition to the aforementioned networks, there are several less institutionalized forms of cooperation. The two half-cantons of Basel, for example, coordinate their energy policy on a regular basis. Most of the measures introduced are corporately elaborated. Overall, the cooperation among the cantons in energy policy field is extensive and strong, what underlines the classification of this policy field as non-competitive.

Diffusion in energy policy

For energy policy, we argue that the observability of the policy measures is low due to the technical characteristics. In addition, competitiveness is low. According to our theoretical model, this would mean that diffusion is possible. The spread of measures is fostered mainly through the model regulations that were enacted by the political body of the intercantonal cooperation, the EnDK. The analysis of transfer processes in energy policy shows that these officials are keen to share policy measures and to convince their colleagues from other cantons to launch similar measures. The model regulations provided, on the one hand, expertise and, on the other hand, political legitimacy. Additionally, cooperation among the administrative personnel on the regional level supports the exchange of experiences and leads to the diffusion of energy measures.

The networks discussed provide heuristics and support learning for cantons that are looking for solutions and concrete measures. Most cantons look for policy measures only within these institutions since the screening of all possibilities (the energy legislation of every single canton and the standards of professional associations) is not possible. However, the model regulations decreed by the EnDK socialize the members more strongly than regional cooperation. This is mainly the case since the enactment through the cantonal energy directors guarantees legitimacy and promises success. The influence of the model regulations goes so far that some cantons imitate proposed measures without further

evaluation of the fit of this measure to cantonal peculiarities. Thus, there is a widespread diffusion of policy measures in the domain of Swiss cantonal energy policy: The institutional setting fosters exchange that leads, due to the low level of competitiveness, to the diffusion of various measures in this policy field.

The policy domain of sub-national energy policy in Switzerland is, thus, characterized by a low observability of policy measures and low competitiveness. As predicted by our theoretical argument, this makes policy diffusion possible. The two different forms of coordination help the policymakers of the cantons to share their knowledge and experiences.

Locational policy

Geographical entities campaigning for businesses to settle in their area are not a new phenomenon. Medieval cities engaged in an inter-urban competition where large trading firms would establish their branches and headquarters. The German term "Standortpolitik" refers to the place-boundedness of these policy initiatives. The basic goal of locational policy is to create an attractive geographical-political area for the location of enterprises. With the installation of strong national states, however, the scalar competition shifted. For centuries, national states regulated the most important locational factors, such as taxes, tariffs, and trade barriers. The national state then distributed the economic growth over the country, often with an equalizing redistribution between urban and rural areas in favor of the latter (Keating 2001).

Many scholars note two new trends of scalar shifts of statehood in the era of globalization. First, the national state has lost much of its regulatory power due to economic globalization pressure. Second, regions, as nodal points of global economic flows, have gained new power. Scholars have pointed to the changed scalar orientation of economic competition from one on the national level to one on the regional level. Thus, it is no surprise that regions have increased their locational policy, as they "have something to play for and something to compete with" (Harding 1997).

Concerning diffusion possibilities, policy-specific networks of regional political entities are an interesting phenomenon. Networks of local or regional entities have mushroomed all over Europe since the 1980s in many policy domains (e.g., Blatter et al. 2008; van der Heiden 2010). The goal of sharing policy measures from leaders in the respective fields is usually the key goal of these networks, and it is the reason that certain city-regions have established these networks. They hope to gain new insights by meeting policymakers from other city-regions dealing with the same problems they face. There are many examples of successful networks, such as the POLIS network in the domain of public transport and the Les Rencontres network in the domain of cultural policy. Unfortunately, diffusion processes within these networks have rarely been researched, and some scholars (see, e.g., Keiner and Kim 2007; van der Heiden et al. 2012) are rather skeptical as to whether innovations really diffuse through conferences of city networks. To the knowledge of the authors, no study has systematically looked at the success of policy diffusion in these networks of regional political entities.

The two networks that are of interest here are the Innovative Regions in Europe (IRE) and the European Association of Development Agencies (EURADA) networks. The IRE network was set up by the European Commission in the mid-1990s. The network has profited from EU funding for its secretary as well as for the networking activities until the end of 2008, when the networking activities came to a halt. The network's webpage states

that "its aim is to facilitate exchange of experience and good practice among European regions that are enhancing their capacity to support innovation and competitiveness among regional firms through the development and implementation of regional innovation strategies and schemes." The mission statement signed by the members stated: "Strengthening the global competitiveness of European regions by promoting innovation policies, and providing a unique platform for regions to cooperate and learn from each other." The network had 235 member regions. High-ranking administrative personnel working in locational policy participated in the meetings. Politicians rarely joined the events. In addition to annual joint conferences, issue-specific meetings were held more frequently.

The EURADA network was set up in 1991 as a non-profit organization for regional development agencies. It currently has about 150 member regions. The network's original goal was to diffuse policy measures between actors engaged in locational policy. However, the network has recently undergone a rather radical change of orientation, as the links to the European Commission are now an equally important goal of the network. The network's webpage states that "EURADA runs conferences and seminars and has an extensive publications program. It keeps its members up to date with EU policy developments and provides briefing on critical issues such as state aid rules. It alerts members to funding and contract opportunities and helps with forming and running partnerships. EURADA lobbies and briefs the European Commission on behalf of members." High-ranking public personnel participated in the annual conferences and in the more thematic meetings; politicians only rarely joined these meetings.

Thus, there have been two networks competing for members in the domain of regional locational policy. Whereas the EURADA network was established earlier than the IRE network, the latter was set up by the European Commission and had the goal of linking regional development agencies to the EU from the beginning. The IRE network stopped its activities after the European Commission ended the financial contributions for networking activities. The EURADA network then jumped onto the bandwagon and now lobbies at the EU.

Observability

Certainly, some aspects of locational policy are very easily observable, such as the tax rate or the price of land per square meter. However, there are many more subtle elements that locational policy can use than just low tax rates. Negotiations between politics and private enterprises on the relocation of branches or even headquarters of the latter usually take place behind closed doors, and the public is only informed if the negotiations end with a positive result for the region. The details of the agreement, however, are often kept a secret.

Locational policy, as a business involving manpower, is mostly engaged in promoting the non-observable aspects of a region. It is, for example, possible for a company to negotiate their tax burden for the first few years after a resettlement in a new area. The public hardly notices the details of such agreements. Additionally, although the public agencies working in this field usually provide glossy brochures, hardly any information about their concrete activities is available within these brochures. The webpages of regional development agencies rarely reveal their strategy. Usually, only very general statements are given. Thus, the observability of locational policy is low, which, according to our theoretical model, is the first requirement for the possible non-diffusion of policy measures in a policy domain.

Competition

Quite obviously, competition in the field of locational policy is high. It is the policy domain where entities are battling for the settlement of enterprises. One can conceptualize locational policy as a zero-sum game. If one enterprise relocates a branch or its headquarters into an area, it retreats from another one. "With all […] compet[ing] in the same global market, there are bound to be winners and losers" (Hall and Hubbart 1996). As competition is the driving force of capitalism, this applies to political entities too when they compete for economic growth. It is a fight about the territorial distribution of wealth, and thus, as long as the taxation of enterprises is, to a certain extent, in the hands of regional political entities, a fight about the financing of the regional entity as well. Regions engaged in networks to address locational policy are, thus, not partners but competitors, as one interview partner explicitly recognizes:

> We are in a competition with other territorial entities to attract enterprises. It is very difficult to cooperate; we are in competition with each other; we are competitors. (authors' translation)

Therefore, competition in this policy domain is high, which is the second requirement for the possible non-diffusion of policy measures in one policy domain.

The policymakers who deal with locational policy and participate in the networking activities of IRE and EURADA present an interesting logic concerning learning opportunities within these two international networks. They all showed particular interest in learning from other regions about their policy measures in locational policy. There was a general agreement that there are many aspects from other regions and their strategies for settling enterprises that they did not know yet and would be eager to learn. However, the same policymakers also admitted that they only very reluctantly provide information on their own locational strategy within these networks. They confirmed that they sometimes even hide certain aspects of their locational strategy. They feared that sharing the information on their strategy would take away a certain competitive advantage that they have developed. Therefore, innovative governments strategically reflect upon their willingness to provide access to their policy measures. This could lead to equalization between the frontrunners and the laggards due to copying and pasting by the latter, as the frontrunners are unwilling to diffuse innovative policy measures. They might lose their relative competitive advantage by doing so (Keating 2001).

Policy measures are, consequently, not available in detail because no one is willing to share them. Thus, we can summarize the logic of diffusion within regional locational policy as one in which there are many policymakers eager to learn but, because of the competition in this policy field, no policymakers willing to share their knowledge.

No diffusion in locational policy

Thus, we have a setting within locational policy with a low observability of policy measures and a high level of competitiveness between areas in this domain, exemplified by the great unwillingness of policymakers to share policy measures. According to our theoretical logic, this would mean that diffusion is hardly possible. However, both networks have more than 150 member regions that pay an annual fee and send their representatives to meetings. How can these activities be explained?

The influence of the EU in the diffusion process in locational policy is strong. We argue that there are equal regions, all willing to learn, but none willing to teach. The EU

interferes in this setting by offering incentives for the distribution of policy measures. The European Commission has financed almost all activities of the IRE network because interurban networking is seen as part of the Lisbon goals to strengthen the overall economic competitiveness of the EU. By diffusing policy measures in locational policy (and many other policy fields) among the European regions, the position toward countries outside of the EU should be strengthened. That is why the EU actively interferes in interurban networking. The regions themselves are hardly willing to allow policy diffusion. Thus, it is hierarchical steering (Scharpf 2000) that is responsible for the networking activities in locational policy.

The policy domain of regional locational policy is, thus, characterized by the low observability of policy measures and a high level of competitiveness. As predicted by our theoretical argument, this makes policy diffusion highly unlikely. As we showed, this is due mainly to the unwillingness of the policymakers involved to share their experiences because they fear competitive disadvantage by doing so. Only hierarchical steering by upper-level governments, an argument not included in our theoretical argument, can help to overcome the unwillingness to assist in diffusion to a certain extent.

Conclusion

With this article, we have shown that observability and competitiveness are central factors that determine the possibility of policy diffusion. The reasons for non-diffusion have, so far, been mostly neglected in the relevant literature, and they have not been empirically tested. By testing both diffusion and non-diffusion in two policy areas, we created a theoretical model that includes the aspects of observability and competitiveness.

We discussed policy diffusion in the two policy fields of sub-national Swiss energy policy and locational policy in Swiss and EU city-regions. We qualitatively assessed whether the observability and the competitiveness had an influence on the diffusion processes at stake. We argue that diffusion is likely if the policy measure is easily observable. Diffusion is also possible if the policy measure and its content are not clearly observable but the policy issue at stake is not part of a competitiveness battle among political entities, as it is the case in energy policy. The dense network of cooperation explains the low level of competition among the entities. If, however, the policy measure is not easily observable and the issue at stake is part of a competitiveness battle, as it is in locational policy, diffusion is unlikely since political entities block the diffusion process. Deviating from the quantitative diffusion literature, this paper shows that competition impedes the diffusion of concrete measures in a policy field. We therefore argue for a more differentiated use of the competition mechanism.

Consequently, three conclusions are drawn: first, diffusion literature should not start to take for granted the fact that diffusion is taking place everywhere. The focus on policy fields where diffusion has taken place might create the impression that diffusion is omnipresent in policymaking. Second, a systematic comparison of policy fields with different degrees of diffusion allows us to draw more consolidated conclusions. Third, incorporating the variables of observability and competitiveness helps to explain where and why diffusion takes place and where it does not.

Future research in both quantitative and qualitative diffusion processes should, consequently, incorporate these aspects to explain why diffusion occurs or might not occur in a certain domain. Our investigation of two policy areas is the first step in this direction. However, further research is needed, as our findings should be tested in policy areas, other

than the two under scrutiny here, where entities enjoy a considerable degree of sovereignty. Additionally, the multi-level aspects that have some impact on diffusion, as shown in the field of locational policy, need to be theorized and tested more broadly.

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